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Reinvesting in Toronto:
What the Competition is Doing

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THE CHALLENGE FROM U.S. CITIES

Nearly every Monday morning, I and others in my firm find ourselves at Pearson in an enormous queue waiting for U.S. immigration. We are just one of many Toronto businesses making the trip. As Figure 1. shows, since North American Free Trade, transborder crossing has increased at almost double the rate of in-Canada traffic, a very visible symptom of what is happening to the Toronto economy. It's becoming North Americanized.

All those people queuing at the airport and all those trucks stuck on the QEW are the evidence of the new economic reality of our urban region - the transformation of Toronto/Ontario from 'Canadian Heartland' to 'North American Region/State', to use economist Thomas Courchene's phraseology. Toronto is rapidly ceasing to be 'the major Canadian city' (see Figure 2). Instead, it's becoming one of many mid-sized North American cities, the one in the top right corner of the map, not the one in the middle (see Figure 3.). The territory defined by New York, Boston and Chicago is a very crowded place with many mid-sized cities - Montreal, Philadelphia, Cleveland, Detroit and Pittsburgh, to say nothing of the next division - Baltimore, Columbus, Indianapolis, Cincinnati and dear old Buffalo. Toronto and Montreal are the ones with the bush at their backs. It is this NAFTA urban reality, rather than an exclusively Canadian economic and cultural environment, that will increasingly establish the context for our urban future. That's what this paper is about.

Urban Strategies has been spending a lot of time in many of these cities, many of which no longer conform to our comfortable view of the dysfunctional U.S. city. A major urban transformation is underway, fueled by the extraordinarily strong U.S. economy, and more importantly, enabled by large-scale focussed reinvestment strategies and effective delivery vehicles.

Figure 1
Pearson International Airport, Annual Growth in Flights (%)

PERIOD	DOMESTIC	TRANSBORDER
1990-1991	-8.6	-11.3
1991-1992	.01	4.4
1992-1993	-0.8	2.8
1993-1994	-.19	-.76
1994-1995	7.1	7.2
1995-1996	7.1	14.0
1996-1997	7.9	6.6
1997-1998	2.6	2.6
1991-1998	14.9	28.0
Avg.Ann.Grow.	1.8	3.2

Lester B. Pearson International Airport is the world's largest originator of air traffic into the U.S.

Figure 2.
The Canadian Urban Universe

Figure 3.
The North American Urban Universe

The scale of these efforts is, from a Torontonian perspective, something that must be of great concern, constituting an emerging competitive challenge unlike anything previously seen in our city's history. Toronto's claim to fame has been that of the well-planned, liveable, yet urbane city with an exemplary quality of life. Walking around many big U.S. cities - and then walking around ours - it's no longer safe to assume our primacy. To a very significant extent, Toronto has defined itself as not being an American city but being the kinder, gentler city that works. I never thought in my lifetime the tables might be turned.

The steep decline of U.S. urban crime and unemployment rates, the rise of a cadre of extraordinarily impressive and powerful urban mayors, the transformation of thinking about what makes a good city, all mean that Chicago has better urban forests, New York City cleaner, better parks and subways, Boston and San Francisco richer waterfronts, all more cared for and impressive financial districts. Spanking new airports abound. Boston, Seattle, Portland, San Francisco and New York have all taken down their Gardiner Expressways. Nearly every large city is involved in major transit initiatives. All are building housing in their downtowns and investing heavily in the arts and culture. This city-building energy is infused with an understanding that good architecture and urban design are the connective tissue of the information economy. Appearance is everything. Being a city that works isn't enough - you also have to be the city that looks good.

Over the past few years Urban Strategies has been helping prepare the urban reinvestment strategies for cities like St. Louis, Detroit, Hartford, Charleston and St. Paul. Interestingly, that's what they call them, reinvestment strategies rather than plans - Americans act first and plan later. With the exception of Charleston, all these fine places are the kind of wrecked cities that made us proud to be Canadian. To help them better organize for the future, we began a comprehensive analysis of what other major U.S. cities were spending on their futures.

I want to describe in some detail what U.S. cities are doing, how they are paying for it and how they are organizing themselves to effect this transformation, then to draw out the implications for Toronto and, by extension, for the other major cities in Canada.

Between 1993 and 1998, the U.S. unemployment rate fell by 35 percent. Between 1993 and 1997, violent crime rates dropped by 19 percent in large cities throughout the U.S. Between 1995 and 1996, Toronto's violent crime rate fell by 9.4%.

The City of Chicago, working with private developers and individual homeowners, has planted over 300,000 trees since 1989. Planting is focused on the downtown, on distressed neighbourhoods and on the arterial approaches to the City.

The elevated waterfront JFK Expressway in Boston carried double the traffic of its design capacity, with infamous congestion results. It is being replaced by a tunnel, freeing 27 acres of land downtown and reducing CO emissions by 12 percent. A 13-year project, its $10 billion plus budget is largely federally funded.

An elevated waterfront freeway, the Embarcadero in San Francisco was built in the 1950's. Despite plans to replace it, electors voted to keep it in 1986. It was only after the 1989 earthquake that it was torn down and replaced with a grade-level road, new streetcar and bikeway - all part of a major waterfront redevelopment.

The Westway and West Side Highway were part of an elevated freeway along the Hudson River in New York. State and Federal governments are rebuilding the route as an urban boulevard with a planted centre median, bikeways, walkways, and landscaping. A new swimming beach is to be created on the Hudson at 23rd Street.

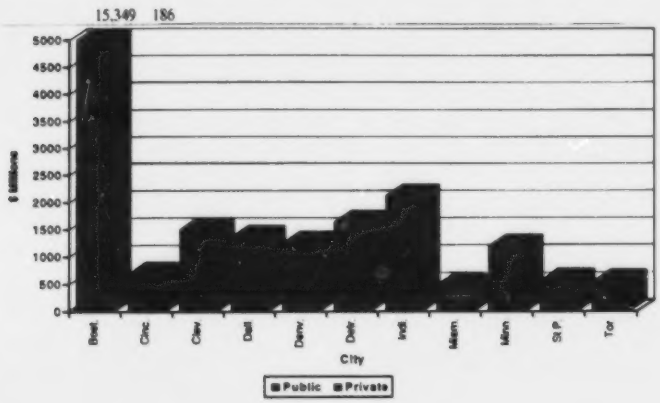
Infrastructure Investments in U.S. Cities

Most U.S. cities are now engaged in heavily capitalized strategic re-investment programs, particularly in their downtowns and central waterfronts. Urban Strategies looked at 14 major U.S. cities to catalogue where, what, and how they had invested in these areas in the 90's. These cities were · Atlanta, Boston, Cincinnati, Cleveland, Chicago, Dallas, Denver, Detroit, Miami, Indianapolis, Milwaukee, Minneapolis, St. Paul, and San Francisco.

Every 'major' project was reviewed that had been built in the downtown and central waterfront areas of these cities since 1990, and were expected to be completed before 2000. Only projects that were in whole, or in part, the beneficiary of some type of public capital investment were reviewed. These included public projects and public-private projects, but not purely private projects. To make this task more manageable and eliminate maintenance-type expenditures, 'major' projects were defined as those costing more than $10 million to complete. Consistency in approach between cities and projects was controlled by having the same research staff make the enquiries and compare each project's eligibility. Of these 14 cities, we were able to collect information on 10, to support reliable analysis. Unless otherwise stated, all amounts are expressed in U.S. dollars.

While there is considerable variation in the capital expenditure programs between individual cities, what is clear from Figure 4. is the very significant level of urban revitalization taking place. The 10 surveyed cities have spent, on average, approximately $263 million per year over the past decade on their downtowns and central waterfronts. The figures for the publicly contributed portion of that expenditure are less definitive, but would appear to average at about one-half of the total. A significant quantum of the private sector investment came from private philanthropic foundations like H. J. Heinz in Pittsburgh, Eli Lilly in Indianapolis, Danforth in St. Louis, Norwest in St. Paul.

Figure 4.
Total Downtown & Waterfront Investment by City, 1990-2000



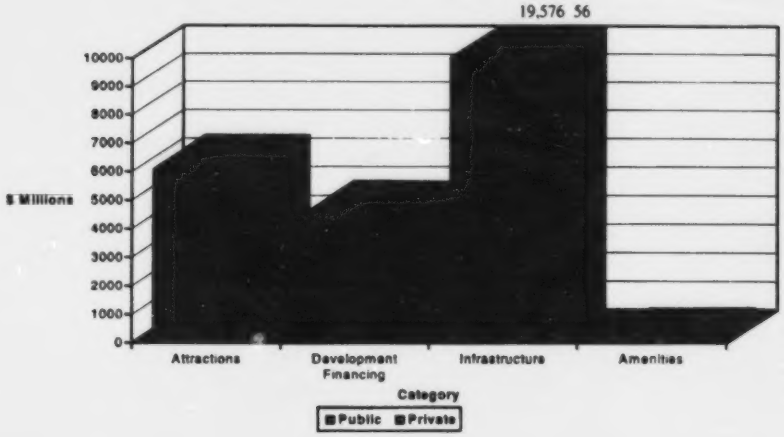
The total amount of money invested in these cities was divided into four project types - Attractions, Civic Amenities, Infrastructure and Development Financing. This broad definition of infrastructure investment is intended to reflect the wider vision of strategic investment characteristic of this wave of U.S. urban regeneration. It acknowledges that cities, in their totality, are the single most important concentration of infrastructure in the modern economy.

Although the mix of project types varies greatly between the surveyed cities, over the past 10 years each city has, on average, invested approximately $607 million in projects such as sports stadia and theatres, another $448 million in public-private partnerships (e.g. major development projects), and $1.5 billion in roads, transit and parking facilities in their downtowns and waterfronts (see Figure 5). Of this investment, the public sector contributed approximately 60, 40, and 99 percent, respectively. The relatively large percentage of public spending in hard infrastructure, reflects the fact that transportation and transit expenditures are heavily funded by the Federal government.

Fieldhouse, Indianapolis
Description:Basketball Stadium & associated facilities.
Cost: $175 million
Public: $71 million in Public Funds, $10 million from the Lilly Endowment Fund.

Santa Fe Terminal Urban Lofts, Dallas
Description: Residential reconversion of railroad building.
Cost: $ 18.7 million
Public: $5.7 in HUD and Town Housing loans and Historical Tax Credits.

Figure 5.
Total Downtown and Waterfront Investment by Project Type, 1990-2000



By the same standards, Toronto's downtown and central waterfront areas were the locus of approximately $541 million in investment between 1990 and 2000, or about $54 million annually. This total includes major projects such as the Convention Centre expansion, the National Trade Centre, CBC Headquarters, the Spadina LRT, and expansions at the AGO and ROM. An important difference between Toronto and the selected U.S. cities is that all but a small fraction of the total amount of money invested in Toronto is public money.

It should be noted that all of the surveyed cities are in urban regions smaller than the Greater Toronto Area. Generally, the scale of reinvestment increases as the size of the city increases. The average figures thus understate the level of investment in the more comparable larger cities. In addition, several larger cities such as New York, Los Angeles, Chicago, San Francisco and Philadelphia were not included in the analysis.

What is clear is that Toronto is investing at about one-fifth the rate of its competitor cities, that this investment has not been tied to private investment, and that philanthropic investment is nearly entirely absent in Toronto.

Fort Washington Way, Cincinnati
Description: Expressway removal and construction of riverfront boulevard and parks.
Cost: $182 million
Public: $168 million in City, County State and Federal Funds.

Nicollet Pedestrian-Transit Mall, Minneapolis
Description:Pedestrian-Transit Mall.
Cost: $17.7 million
Type: $2.7 million in City and State Funds, $15 million through Special Tax District

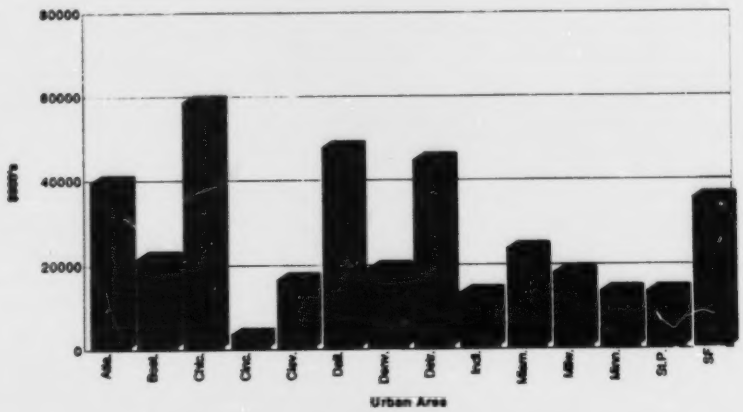
Where are they Getting the Money From?

Federal Funding Programs

The primary source of public funds for the regeneration of U.S. cities is the Federal Government, although a multitude of urban programs exist at the State and local levels as well.

The single largest infrastructure investment program in the U.S. is the Transportation Equity Act for the 21st Century (TEA-21) transportation bill, the successor to the Intermodal Surface Transportation Efficiency Act (ISTEA) program. A six year program now in its first year, TEA-21 has a total budget of $217 billion. To give you a sense of proportion that's approximately half the Canadian national debt. Even in U.S. terms this is a heavily funded program. By comparison the 1999 U.S. defence budget was $270 billion. Figure 6. shows the base-level of TEA-21 funding allocated to the surveyed cities' urban regions in 1999. These figures do not reflect funding directly allocated to certain megaprojects such as Boston's Central Artery Project or New York's Second Avenue Subway and Hudson River Parkway. Most major cities are undertaking major transportation infrastructure projects under TEA-21, often exceeding one billion of dollars in cost.

Figure 6.
TEA - 21 Allocation by Urban Area, 1999



Major TEA - 21
Transit Allocations, 1999

San Francisco	**$155** Million
New York	**$800** Million
Seattle	**$100** Million
Philadelphia	**$175** Million

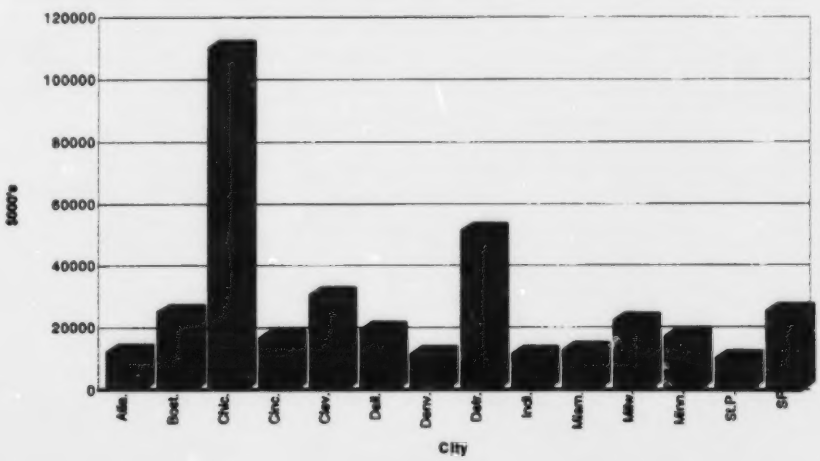
Boston currently receives $100 million a week in Federal funding for the Central Artery Project, the Harbour Clean-Up and the Logan Airport expansion. Most of these funds were secured by Tip O'Neill, local representative and former Speaker of the House. Senator Moynihan is now doing much the same for New York City with funds for the new Penn Station, the new Second Avenue subway, the SkyTrain to the JFK Airport, and the replacement of the West Side Highway with a linear park system along the Hudson.

These allocations also exclude funds going to State Departments of Transportation (DOT's) and agencies who reallocate funds to smaller centres within an urban region.

The federal government is also strongly involved in other areas of urban investment. Described below are just three other U.S. urban regeneration programs - the Community Development Block Grant (CDBG), the Home Investment Partnership Program (HOME) and the Revitalization of Severely Distressed Public Housing Program (HOPE-VI) - all administered by HUD. Additional federal funding programs are described in Appendix C.

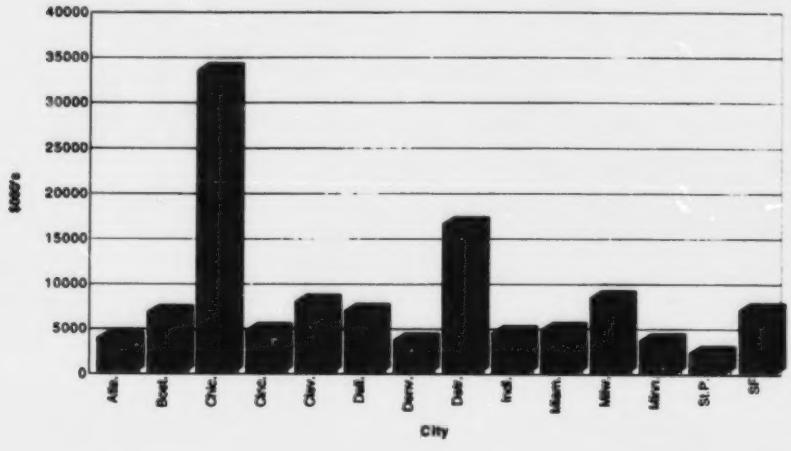
The CDBG is the eighth largest Federal grant program in the U.S. CDBG funds can be used by metropolitan cities and urban counties to fund a wide range of urban improvement-type projects as long as they benefit low and moderate-income families, prevent or eliminate slums or blight and meet other urgent community development needs. Figure 7. shows the level of CDBG funding allocated to the surveyed cities in 1999.

Figure 7.
CDBG Allocation by City, 1999



HOME is the largest Federal block grant to state and local governments designed to create affordable housing for low income households. More than $1 billion is allocated to cities and states through this program annually. HOME funds can be used to acquire and rehabilitate sites, demolish, rehabilitate, or build housing for rent or ownership. Figure 8. shows the level of HOME funding allocated to the surveyed cities in 1999.

Figure 8.
Home Investment Partnership Allocation by City, 1999



Hope-VI is a program targeted at the regeneration of distressed public housing projects. Any public housing authority in the U.S. can apply for HOPE VI funding, to improve the physical condition of their buildings and social and community facilities. It is fair to say that we have nothing in Canada to compare with the misery of U.S. and U.K. postwar public housing, though we are not without our problem estates and utterly without comparable resources to improve them.

What is interesting about these programs, in addition to their commitment to urban improvement, is the nature of their administrative objectives. These can be entirely described as 'new urbanist' programs - their regulations having a strong anti-sprawl, pro-intensification, mixed-use, transit oriented, green, urban quality. CDBG, HOME and Hope-VI, demonstrate clear intentions not to repeat the urban renewal mistakes of the past but to engender a reinvigorated form of diverse, mixed, pedestrian, environmentally friendly city. They sound a lot like all of the planning documents ever written in Toronto with one exception - they have major capital funding behind them.

Why is the U.S. making this scale of reinvestment commitment? First, many cities had been allowed to deteriorate through decades of deferred maintenance and under investment, redressing which required strong action. Second, federal and local governments have realized that the quality of urban life is an essential foundation of the new information and entertainment economy.

They are the machines for living and working, the largest concentrations of physical and social infrastructure, and greatest collective investment. It is in this latter respect that this current round of urban investment can be distinguished from previous eras of major urban project spending. While it is fair to question the wisdom of some new sport and attraction-based projects in U.S. cities, generally these investment programs exhibit a high-degree of market-oriented discipline, characteristically focusing on fostering real economic growth engines and generally require private sector participation.

To give comparative scale, a U.S. region the size of the GTA could expect to receive $42 million annually under TEA-21 in base funding. This would not include funding for individual megaprojects such as those described above for Boston and New York. Similarly, an urban region the size of the GTA could also expect to receive $155 million in CDBG's and $46.5 million under HOME, annually. At the City of Toronto level, the respective figures would be $22 million under TEA-21, $81 million under CDBG, and $24 million under HOME, annually.

Lower Manhattan Economic Revitalization Plan

Property Tax Abatement: for office and retail leasing activity in buildings built before 1975.

Commercial Rent Tax Reduction: exemption to tenants under the Property Tax Abatement at the same rates. Tenants with rent of less than $99,999 per annum are exempt from commercial rent tax.

Energy Program: reduces energy costs for 12 years for tenants of commercial space in renovated or newly constructed buildings.

Industrial and Commercial Incentive: property owners who invest 20 percent of the buildings' assessed value in renovations get a 12 year exemption on their tax increase.

Flexible Financing for Urban Regeneration

In addition to the capital grant programs, flexible urban financing instruments exist at all government levels. These include tax abatements, capital grants based on increment financing (TIF), future revenue obligation bonds for particular cities or agencies, local sales tax and personal and corporate income tax exemptions or credits and Federal and State historic building tax credits for example - and on and

The Continental is a 23-storey historic office building in St. Louis built in 1929 and abandoned in the mid-70's. The building was sold to the developer for $1.00 by the City who owned it on tax foreclosure. Of the $22.5 million needed to reconvert the building, $16 will come in the form of a HUD Section 108 Loan and another $6 in Federal and State tax credits.

on. The range of local financing instruments and agencies is remarkable. Many of these financial instruments are either tax free or tradable tax credits that are popular both for the U.S. equivalent of RRSP's and for corporate and wealthy individual tax deductions. HUD also administers loan guarantee programs for private sector mixed income housing development.

Urban Regeneration Delivery Vehicles

U.S. cities have developed their own distinctive institutions to undertake urban investment and regeneration programs. Extensive powers are typically granted by State governments to cities and urban agencies to undertake these urban responsibilities.

In different complexions, autonomous public/private boards are the characteristic vehicle of urban regeneration in U.S. cities. Often these bodies are used to effectively replace the city government either for a particular area of the city, or for a set of services, to ensure that both the skills and the freedom of manoeuvre required for effective delivery are provided.

Central Atlanta Progress in Atlanta, Downtown Now! in St. Louis, Detroit's Greater Downtown Partnership, New York's Lower Downtown Association - in almost every city these bodies, rather than City Hall, assume direct decision making authority, going way beyond an advisory role, and resourced with full-time staff capacity and substantial budgets. The complexion of these organizations is remarkably similar from city to city, with broadly based advisory boards covering a range of community interests but always with very strong business representation.

The corporate vehicle responsible for actual program delivery is usually governed by a smaller board. The city council, even though it may be the dominant owner of the urban assets involved in investment or regeneration initiative, is usually in a minority on such boards. Majority membership generally consists of very senior personnel from major corporations and financial institutions. This corporate involvement, peculiarly absent from Toronto's civic cul-

Characteristic Urban Regeneration Delivery Vehicles

Atlanta Development Authority
Battery Park City Authority, N.Y.
Boston Redevelopment Authority
Fifth Avenue Partnership, N.Y.
Grand Central Partnership, N.Y.
Southern Dallas Development Corporation
Denver Urban Renewal Authority
Downtown Denver Partnership
Detroit Greater Downtown Partnership
Central Atlanta Partnership
Indianapolis Downtown Inc.
Miami Downtown Development Authority
Minneapolis Community Development Agency
San Francisco Redevelopment Authority
St. Paul Riverfront Corporation

The revitalization of downtown St. Louis could be undertaken by a Missouri Section 353 corporation, which would be a public/private entity operating under a mandate established by City Council, with a small board made up of the City, various business and community leaders and the heads of major foundations. This corporation would have expropriation powers, borrowing capability, the ability to accept charitable donations and the ability to make a profit for the shareholders.

Selected U.K. Urban Regeneration Program Budgets

PROGRAM	ALLOCATION (£)	PERIOD
Single Regeneration Budget	10.2 billion	1992-1999
City Challenge Funds	2.5 billion	1992-1998
Estate Action	19 billion	1992-1998
English Partnerships	1.5 billion	1992-1998
Housing Action Trust	555 million	1992-1998
Millennium Commission	1.9 billion	1995-1999

ture, seems to provide an essential financial realism that engenders the creation of powerful, formal partnerships between all community interests.

The United Kingdom has also used these kinds of organizations very effectively for implementing its extensive urban regeneration programs, though generally with smaller boards and if anything, greater delegated powers.

This commitment by the business community is not token. In St. Louis NationsBank paid for half the cost of the downtown plan and made $100 million available for immediate beneficial acquisitions and financing for priority projects. Their example is now persuading Mercantile, the other big local bank, to do the same. This is not entirely civic minded. The Community Reinvestment Act requires U.S. banks to target some portion of their national real estate investment to urban regeneration, creating a national exposure for NationsBank alone of some $4 billion.

WHAT DOES THIS MEAN FOR TORONTO?

The clearest way to illustrate our competitive situation is to compare the urban reinvestment programs available to Toronto with those available in the U.S. and the U.K. The U.K. has been added because it is important to appreciate that Toronto and Canada are very much the exception in having no such programs. Urban Strategies has also been involved in implementing urban regeneration programs in Liverpool, Manchester and London, programs if anything more impressive and relevant to Canada's urban situation, having a greater emphasis on social regeneration and urban design than their U.S. counterparts. Nonetheless, they are structured in much the same way - directed towards economic renewal, requiring private investment and involving the business community in delivery. There has been a lot of trans-Atlantic cross-fertilization in thinking about cities, a debate in which Canada has played no part. In both countries, most of these programs have been around for over a decade, with their roots in the reinvention of urban governance under Thatcher and the Republicans.

As can be seen from Figure 9., Toronto and the rest of the country are without any of the policy or funding equipment to promote an urban renaissance. Previous programs such as the Neighbourhood Improvement Program (NIP) and Residential Rehabilitation Action Program (RRAP) have been eliminated, or have shrunk to insignificance, or are available on an irregular basis such as the Canada - Ontario Infrastructure Works (COIW). This absence of urban investment is in contrast to the regional equalization and assistance programs characteristic of Canadian national economic policy.

Figure 9.

Urban Reinvestment Programs in the U.S., U.K. and Toronto

	U.S. City	U.K. City	GTA
Property Tax Abatements	●	◐	
Property Tax Increment Financing	◐	◐	
Enterprise Zones	●	●	
Sales Tax Credits/Rebates	◐		
Corporate Income Tax Credits/Rebates	◐	◐	
Employee Income Tax Credits/Rebates	◐		
Brownfield Tax Credits/Grants	●	●	
Historic Preservation Tax Credits/Grants	●		
Community Regeneration Grants	●	●	
Tax-exempt Municipal Bonds	●		
Agency Borrowing Capacity	●	●	◐
Private Finance Initiatives		●	
Social Housing Grants	●	●	
Social Housing Loan Guarantees	●		
Renewal of Public Housing	●	●	
Urban Transportation Grants	●	●	
Millennium Funding		●	

(Major program ● Minor program ◐)
Please see Appendix C. for Program Descriptions.

Millennium Commission Funded Projects, U.K.

Project	Total Cost (£000's)	MC Grant (£000's)
Tate Gallery of Modern Art, London	130.0	50.0
Millennium Stadium, Manchester	114.0	46.0
Millennium Point, Birmingham	116.0	50.0
Eden Project, Cornwall	106.0	37.2
Earth Centre, Doncaster	100.0	50.0
Lowry Centre, Salford	96.4	15.6
British Museum Great Court, London	94.1	30.0
Nat. Discovery Park, Liverpool	91.4	27.0
The Odyssey Project, Belfast	90.0	45.0
University of the Higlands and Islands, Scotland	86.5	33.4

Note: MC= Millennium Commission

Most of the disputes over NAFTA are concerned with stumpage fees, assistance to resource megaprojects or income support to fishermen or farmers. They all seem to provoke accusations from the U.S. that Canadians unfairly subsidize their industries. Absent from this debate is mention of the two gigantic economic support programs the U.S. gives its private sector. The one we all know about is to the defence industry, which still has substantial impacts on local and regional economies and on many leading-edge industries such as aerospace and information technology.

The economic support to their urban regions described above is less-well known. The reality is that a few major private projects occur in any U.S. city without substantial amounts of tax dollars being contributed in one form or another.

The sad irony is that Canadian government support to low productivity resource, manufacturing and agricultural sectors of the economy often triggers NAFTA trade disputes, while U.S. support to highly productive technology-based industries through defence spending and infrastructure investment seems immune to NAFTA challenge. (In fairness, the Canadian health system, which provides our automotive industry with a very substantial competitive advantage over the U.S., is an example of effective Canadian NAFTA-proof sectoral assistance.)

Toronto - The Export City

While Toronto was primarily a Canadian city, the funding and organizational structure of U.S. cities was of little direct relevance. As Toronto becomes a North American city, the behaviour and resources of its immediate competitors create the environment in which it will succeed or fail. To understand the extent of this continuing transformation, this section reviews the dramatic change in Toronto's economic context.

In 1981, Ontario's economy (of which now the GTA is approximately one-half) exported about as much to the rest of Canada as it did to the rest of the world. As Figure 10. indicates, by the mid-90's, foreign exports were two and a half times domestic exports and rising fast. Those exports tended to be in the most productive sectors of the economy, representing the traded sector that brings new wealth into the community. With more than 40 percent of GDP being exported, Ontario is one of the most heavily export-based economies anywhere in the world. Over 90 percent of those exports go to the U.S. Exports to the rest of the world are negligible and proportionately declining. This dramatic growth in trade with the U.S. can be contrasted with relatively static economic relations with the rest of Canada. This is not surprising. Toronto's economy remains the core of the Canadian economy - its 15 percent of the national population generates nearly a quarter of GNP. If you take the effective economic region - everything within an hour of Pearson - then you have close to a third. Toronto is already home to over half of Canadian corporate head offices, to all five major banks and the Toronto Stock Exchange, which processes 89 percent, by value, of stock transactions in the country. There really isn't much room for further growth east-west, nor is the non-urban part of that economy growing at anything near the same rate. By contrast, 50 percent of the U.S. consumer market and more than 50 percent of U.S. manufacturing firms are within one day's trucking of southern Ontario.

More so than many cities, Toronto's original rise to prominence was determined by political decisions and national borders... As the capital of Upper Canada and were it not for the maintenance of the Canadian - American border ever since, "it is doubtful whether a large city ever would have risen on the Toronto site or anywhere else along the north shore of Lake Ontario."
Source: Sancton, 1993

The Greater Toronto Area with 40 percent of the provincial population, contributed 47 percent of the provincial revenues between 1988 and 1993 and received 40 percent of provincial benefits and expenditure.

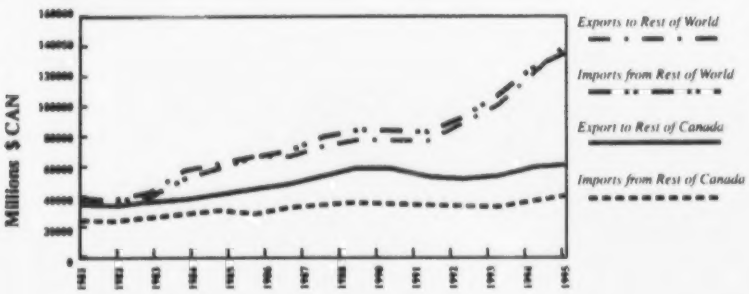
Ontario, with 35 percent of the national population in turn contributed in the same time period approximately 40 percent to total federal revenues, receiving federal expenditures of a little over 30 percent.

Source: Boston Consulting Group, 1995

Montreal accounts for one-third of Quebec's voters, 55 percent of the province's economic output, both of its major research universities, almost all of the province's knowledge-based industries, and a full 75 percent of its exports. Yet, due to Quebec's skewed electoral system, the city controls only one-quarter of the seats in the province's National Assembly.

Source: National Post, Jan 6, 1999

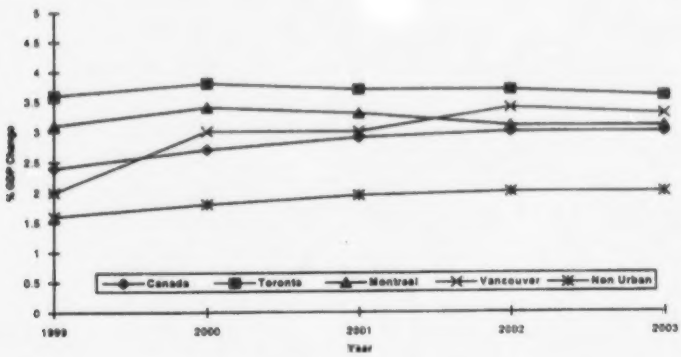
Figure 10.
Ontario Economy.



Source: Courchene, 1998.

It is instructive to look at the predicted growth rates for the major Canadian cities and compare them with the rest of the country. As Figure 11. indicates, the three big cities, Toronto, Montreal and Vancouver have predicted growth rates almost double that of the rest of the country. Outside of the big cities the economy of the country is lethargic at best. The big three cities keep the country economically alive, the biggest of the big three most of all. The Canadian economy depends on the big cities, that in turn increasingly depend on U.S. markets. The paradox we face is that Toronto's role as the core of the Canadian economy is only supportable through greater integration with that of the U.S.

Figure 11.
Predicted Annual Growth in GDP (%)



Source: Conference Board of Canada, 1999

Does this mean that we have to adopt U.S. patterns of urban infrastructure investment and development assistance to maintain this level of economic activity?

The analogy can be drawn with the current debate over public funding to help Canadian major league sports franchises. There is apparently little appetite for such assistance in Canada. Nonetheless, the combination of wage disparity and government assistance for U.S. franchises will, in all probability, result in there being by the end of the next decade only three major league professional sports franchises left in Canada - although two might be in Toronto.

I'm less than passionate about professional sports - although they are too important a component of a city's self-presentation to be simply dismissed. The fact is that similar situations exist for areas of city life that are more important - financial and business leadership, culture, media and education. Toronto is the third or fourth most important financial centre in North America, the second biggest live theatre location in North America, and the second or third centre for film production. Its universities, particularly the associated medical research institutions, compete continually for staff and research funds with the best in North America. It is also crucial not to forget that the foundation of the regional economy remains the automotive sector, which is directly responsible for one in every six jobs in the GTA. To maintain our ranking in any of these areas in the face of well-capitalized U.S. urban competition will require a scale of public and private financial investment not now evident, and the active engagement of the representatives of key business sectors in the future of the urban region.

Securing these resources requires a new vision that reflects the kind of city we are becoming, that addresses the issues of providing a high quality of life and a productive, competitive economy in this North American and global environment. The recent debate over bank mergers captured this need for a new conceptualization of the city-region's future. If the goal is to ensure continuing bank competition within Canada, then the mergers are a bad thing. If the goal is to have a North American and globally competitive banking industry, then Toronto should actively urge the creation of institutions of a scale that can ensure that the city retains a significant role in world finances. A similar future confronts the Toronto Stock Exchange. Rationalizing the responsibilities of the Canadian exchanges is a sensible thing to do, but for Toronto to have a stock market of any significance outside the country will require a more activist strategy, including possible mergers with foreign exchanges to create something that can counter the power of New York. Similar strategic choices, between a strictly Canadian interest and those of the city-region, face Toronto with respect to the airline and telecommunications industries.

Other North American and European cities are attempting to define their strategic interests and to achieve them through intelligently-directed infrastructure investment. To a significant extent, their success has depended on the ability of their business sector to recognize the specific interests of their city economy. The examples of Frankfurt and Manchester in promoting their financial and banking sectors, or Milan and Barcelona promoting their design centres, are particularly relevant, showing both the limitations and the potential of comparable second tier world cities.

TORONTO'S CURRENT INVESTMENT PLANNING

Previous sections have illustrated our changing economic context and what our competitor cities are doing. This section addresses where we now stand in Toronto.

Toronto has actually done remarkably well considering we have invested so little in ourselves in a decade. We have been lucky - we are a relatively young post-war city in infrastructure terms and we are still well-served by a legacy of good public investment in the 60's and 70's. We have been the peaceable kingdom. The question remains however, how long can we stay at the top of the Fortune list investing at a rate which is less than a quarter of our competitors and with none of the institutional organization for regeneration? Without underplaying the historical social tensions in U.S. cities, part of the reason for their precipitous decline in the 70's and 80's is that they were just a generation older than us. The combination of deferred maintenance and aging physical plant that laid them low is now becoming more evident in Toronto.

What are the needs for infrastructure and regeneration investment in the Toronto urban region?

As a part of this study, Urban Strategies undertook a brief overview of the need and funding capability for major infrastructure projects in the GTA, reviewing the capital programs of Toronto and the four regional governments.

The pattern of infrastructure needs and financial ability to meet them varies greatly across the urban region, largely reflecting the life cycle stage of the municipality and the degree to which investment can be tied directly to new development. In summary, major infrastructure capital investments are being made in the GTA, but they are almost entirely dedicated to the support of new growth on the urban fringe.

The GTA regions are, by virtue of their prudent use of development charges, generally well-financed to support the basic infrastructure requirements of the urban growth contemplated by their Official Plans. It is important to realize that the urban region continues to grow very fast adding a population of between 50,000 - 100,000 new residents every year to a projected population of 6.4 million by the year 2021. Financing the requirements of this growth involves very substantial investment.

Estimates of the total capital requirements prepared in 1990, and revised in 1996, indicate that growth would require a total capital infrastructure investment of approximately $70 billion Canadian, or between $2.5 to $3.0 billion Canadian per year across the GTA. The regions appear to have reserved sufficient funds to provide the necessary local road, water and wastewater and other hard municipal services for that growth.

GTA GROWTH:
ESTIMATES OF TOTAL CAPITAL COSTS TO 2021
(Billions $)

	Development Concept		
Capital Costs(1)	**Spread**	**Central**	**Nodal**
Transportation	27.1	27.6	28.6
Hard Services	19.5	12.7	14.7
Greening/Environment	3.1	3.1	3.1
Human Services	29.6	30.4	28.8
Total(2)	79.3	73.8	75.2
Reduction in Costs(3)	(2.4)	(6.8)	(5.7)
Modified Total Costs	**76.9**	**67.0**	**69.5**

1. IBI et.al. 1990, Summary Report, Exhibit 7
2. Assumes lower estimates for Greening Environment from 1990's study, meaning lower accessibility to passive open space in Central and Nodal concepts.
3. Reduction after revisions due to refinement of development scenarios in 1996.

There are important areas in which the outer regions of the GTA are underfinanced, however. Only partial funding exists for 400-series Highways and for local and GO transit. Provincial assistance in these areas is uncertain. No funding capacity exists for new initiatives in transit, for major parks, environmental or cultural projects or for urban regeneration. The lack of transit funding in the

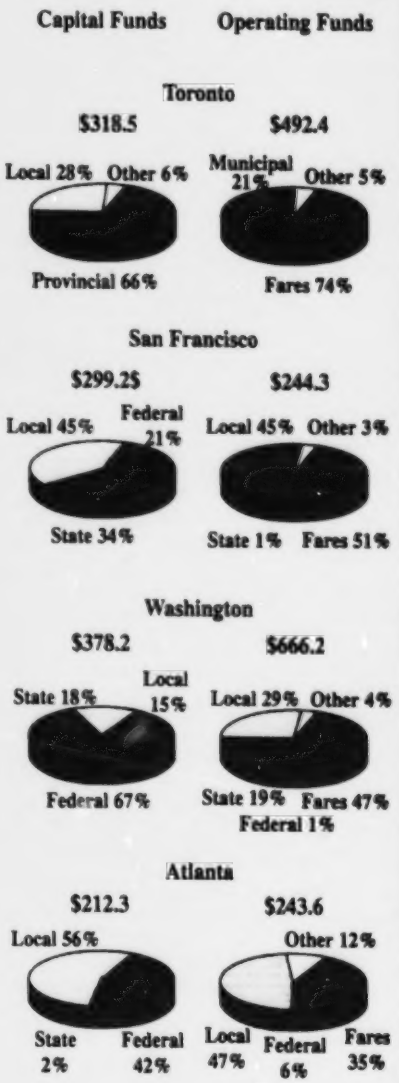
regions is particularly of concern, since it is confirming the auto reliance of the newly developing parts of the urban region.

The picture appears far bleaker in the already developed central part of the urban area managed by the City of Toronto. The City's fiscal ability to meet its operating obligations, let alone new capital initiatives, is extremely limited. Of the City's $6.1 billion (Canadian) annual operating budget, all but 11 percent is directly tied to existing programs, leaving no room for any new strategic investment. The City does not have a stream of development charges revenue compared to that enjoyed by the regions. Toronto is not primarily supporting new growth, but managing change in the existing older city. The second law of urban thermodynamics being what it is, the predominant direction of that change is negative.

Not only is the revenue base different, the demands are greater. The City of Toronto has two other important differences from the rest of the region. It is the region's public face to the rest of the world. All of the regionally significant institutions, with the important exception of the airport, are located in the City. Toronto is also the net recipient of many of the region's and country's social problems. As Anne Golden's report on homelessness pointed out, 47 percent of hostel users come from outside Toronto.

The consequence of the financial strait jacket in which the City now finds itself are increasingly evident. The TTC operates in a budget environment which keeps it at the edge of consumer tolerance. No initiatives to maintain or increase transit usage can be contemplated. The condition of roads and bridges steadily deteriorates under continually deferred maintenance - the backlog in essential rehabilitation needs was approximately $40 million in 1997 and is increasing every year. Even in the area of water and wastewater treatment, where most capital needs can be supported on the rate structure, no budget room exists for new initiatives in water quality or environmental improvement.

North American Transit Systems: *Source of Operating and Capital Funds Compared ($Millions)*



If the GTA is slipping behind on hard services, it has even less or no capacity under its present financial structure to engage in the kinds of initiatives seen in the competitor cities; investment in *competitive infrastructure*, in *urban regeneration*, and in *city building*.

With respect to *competitive infrastructure*, in its recent report the Board of Trade provided a useful starting list of a series of essential transportation initiatives required for the city-region's economic health that included the development of better links to the airports, the use of Union Station as a transit terminal and the radical upgrading of the intra-regional transit system. Such initiatives are very much the kind of projects that TEA-21 finances in the U.S. Whether this is the right list of priorities, (and they certainly are a good start), is less important than acknowledging that at present there is no financial capacity or program to undertake any of these proposals.

Toronto Board of Trade, Summary of Recommendations

1. *The redevelopment of Lester B. Pearson International Airport must proceed in a way that protects rights-of-way for future road and transit links.*

2. *If a rapid transit link to Lester B. Pearson International Airport is built, it must be economical and part of an integrated Greater Toronto Area transportation plan.*

3. *The building of a fixed link to the Toronto City Centre Airport should proceed as soon as possible.*

4. *The redevelopment of Union Station must be compatible with its role as a multi-modal transportation centre.*
   -Transportation components, such as an inter-city bus terminal and shuttle services to Lester B. Pearson Airport and the Toronto City Centre Airport must be protected.
   -Access must also continue to be ensured and enhanced for subway, LRT, commuter and long distance rail services.

With respect to *urban regeneration*, there is little to no ability to intervene in those areas of the GTA trapped in redundancy or decay by regulatory, jurisdictional and ownership tangles, or to assist areas that have become traps for the disadvantaged. A cold eyed look at our urban region reveals a large and increasing number of such districts. The Port, the older industrial sections of Scarborough and Etobicoke, the arterial sections of the inner suburbs, parts of the east downtown, the cores of older suburban centres now incorporated in the GTA, the concentrations of public housing, the decaying stock of apartment buildings built in the 1960's - all these areas are moving into a spiral of decline very comparable to that so visible in the U.S. city of the past decades. Again, the U.S. and U.K. urban regeneration programs have heavily focused on addressing the complexity of social and physical issues characteristic of such urban areas.

Toronto has not even allowed itself to dream of the kinds of *city building* initiatives that are increasingly common across the urban world. Ideas for creating an urban park, technology centre and entertainment attraction at Downsview, for establishing a continuous regenerated river valley trail system, instigating the comprehensive renewal of Ontario Place and the Exhibition Grounds, reconnecting the city to Lake Ontario across the transportation barriers,

new museums, galleries or other cultural attractions, renewing Nathan Phillips Square, or creating a beautiful and pedestrian-friendly financial core, a world-class central waterfront and attractive suburban downtowns - all of these possible projects have and continue to infuse thinking about the city.

Although these are exactly the kinds of initiatives being undertaken elsewhere in all our competitive cities, we have to realize that they are largely unachievable in the GTA's current financial and organizational state. Nor have we considered how Toronto can make a contribution to the world, and a name for itself, as being the recognized leader in one distinct area of culture, business, education or global affairs.

What makes cities across the world so exciting at present is that in all those areas that bear directly on the social and physical quality of urban life there is a continuing competition. How do we deal with the homeless, how do we plan a waterfront park, how do we get people back on the transit system, what do we do about taxis and squeegee kids, how can we convert old office buildings to residential or Union Station into a transit terminal, how do we create moments of beauty in the everyday? There is even an urban Olympic event of hosting an Olympics, one that Barcelona won and Atlanta lost. It is this competition that we must rejoin.

In summary we have few if any infrastructure projects that speak to the city-region's future, other than the critically important plans for the airport - that can get underway this decade. We are barely keeping pace with operating demands. At best, all of our future infrastructure hopes seem tied to the Olympic bid process. We are in the odd situation in which our competition has become interventionist, while we remain in a neo-conservative mindset, suspicious of any public expenditure.

Toronto Board of Trade, Summary of Recommendations (Continued)

5. *The City, through its representation on the Toronto Transit Commission and the Greater Toronto Services Board, should ensure that an appropriate and cost-effective mix of heavy rail, light rail, and buses are considered in any services expansion projects.*

6. *The Greater Toronto Services Board mandate should be broadened to allow it to solve transit integration problems among transit agencies in Toronto and neighbouring jurisdictions. All fares and services involving transit properties in the Greater Toronto Area, including GO Transit, should be coordinated.*

7. *The City of Toronto must establish a network of major arterial roads and protect the capacity and ensure consistent design standards and full integration with the arterial network throughout the Greater Toronto Area.*

8. *The City of Toronto should make expansion and improvement of active transportation, including walking and cycling a priority.*

9. *The Provincial Government should expedite the extension of Highway 407 East and South to Highway 401 in Durham, and eventually to Highways 35/115, in addition to the western expansion from Trafalgar Road to Burlington.*

Source: Toronto Board of Trade, 1999

Rising to the Challenge

How does Toronto, and indeed the other major Canadian cities respond to this competitive environment? In order to continue as a major world city, which we are now, and I assume we all want to remain, we have to invest in our city at the level and standard set by the rest of the world rather than those of the local or Canadian political environment. We have three strategic options.

Manage our Own Decline

We could decide not to compete, not to invest and to continue to manage our gradual decline, cutting capital budgets and trimming services, making no big or bold moves, as we have been doing now for a decade. Many once great cities have rested on their laurels and have declined to purely regional stature: Liverpool, Bordeaux, Detroit, St. Louis, Philadelphia and Montreal. I don't want to live there. The social and cultural cost will be enormous. Our children will not live here.

Wait for Help

The second option is to wait for the great bailout, for the renewal of urban funding from the Federal and Provincial Governments. In both the U.S. and the U.K., the national governments have taken the lead in urban regeneration and put the quality of big city life at the centre of the political agenda. The promises and programs delivered by Prime Minister Blair or Vice President Gore, or by HUD Secretary Cuomo or Lord Rogers in the U.K., could have been written by the same speech writer. The rationale behind that commitment is as true for Canada's big cities. They create our country's wealth and if not exclusively the creators of our national culture, they are its custodians and vital connection to the wider world. There is no civilization without big cities - although sometimes the rest of Canada seems be prepared to take that chance.

The hard facts on the ground are that we are very unlikely to get a response from our national government equivalent to that in the U.S. or the U.K. Poor Toronto, at a time when it will have to shout to be heard in North America, is still the city that dare not speak its name in Canada. As you can see from Figure 12., the real two solitudes in the country are not Quebec and the rest, or east-west, but the big cities and the rest. We are distinct, in culture, politics, economic activity, diversity and income. It is a distinctiveness etched into the political structure of the country, which has and will render the big cities forever powerless with respect to the senior levels.

Figure 12.
The Two Solitudes of Canada

Attribute	Toronto	Urban	Non-Urban
Population	4,263,757	9,421,932	19,424,828
Immigrant Population (%)	41.6	31.8	10.2
University Degrees (%)	18.8	17.2	14.5
Avg. Household Income ($)	60,110	53,001	46,405
Electors per MP	111,256	108,694	90,380

Source: Statistics Canada, 1996 Census of Canada.

Furthermore, help from the Federal Government is not always helpful, as evidenced by their sad, moneyless manoeverings over the homeless, Pearson, Downsview and the Port Authority. As for the Province, one can live in hope.

In any event, we cannot afford to wait. If there is anything to learn from the U.S. and U.K. experience, it is that the collective costs of deferred maintenance of the urban economy can sometimes be irreversible. To cease investing in anticipation of major senior level capital programs is to condemn Toronto to that fate.

Reorganize and Reinvest in Ourselves

There is a third way, which is to stop complaining and waiting, and see how we can seize the initiative ourselves, with minimum expectations of senior government assistance. After all, according to Figure 12. we are about 20 percent richer, smarter and with double the projected growth rate of our non-urban cousins. If we're so smart and rich, how come we're broke?

The fundamental strategic goal for the GTA must be to become essentially financially self-sufficient, not only from an operating perspective, but in terms of generating the capital requirements for new investment. There are a number of ways in which this can be done.

1. The first thing to do is to decide what it is essential to re-invest in. Neither Toronto nor the GTA have a coherent reinvestment plan other than a 'pay-as-you-go' program of suburban development support and a barely adequate maintenance program in the older city. What is needed is a strategic vision for the GTA that defines its needs as a North American and global city in the same way that our competitors have been doing so effectively. Requests for urban investment capital can be infinite, so a critical exercise would be to establish a public investment target. How much should a major urban region reserve for strategic capital investment? The examples of other cities, and a rough corporate management rule of thumb, suggest a target of about 10 percent of total operating budget, or in the case of the City of Toronto, about $600 million per year, would be appropriate.

2. Next, we need a list, a very practical reality-based list, of the specific projects that contribute to that overall vision. If we are investing for the future, there are three questions to ask about any new capital project for it to become a priority. Will it increase the city region's productivity and competitiveness; will it improve citizens' long-term quality of life; can it be largely financed on a user-pay

basis? Applying those criteria both broadens and narrows the types of investments we should be making, distinguishing productive investment from mere municipal consumption. Indeed such a review of Toronto's priorities might suggest that the three most important new infrastructure projects could be a new truck-only freeway to the U.S. border, a new department of bio-engineering at U of T and a beneficial refinancing of Livent, rather than more roads and sewers and recreation centres. There are some interesting precedents on how to apply these kinds of criteria within a competitive framework in the U.K. City Challenge urban capital investment program.

3. In order to strategically direct new capital, we have to decide what activities the city region should not fund directly. We need to look at all of the operating municipal service businesses - hydro, water and wastewater, garbage, transit - and create new organizations that are capable of meeting their own capital needs. Toronto is one of the few world cities which continues to operate these services as main line businesses, using the incredible short-term 'multiple piggy bank' model of financing that still applies. There are lots of models to follow, from best practice, to managed competition, to partial to complete privatization, to the GTAA model of an autonomous but public interest infrastructure agency. A great deal of experience already exists in resolving all the difficult governance, accountability, labour, financial control and performance issues since most of our competitor cities have been doing this for a decade or more. There is no reason for not doing the same in the GTA.

4. Many of those operating businesses constitute pools of locked capital that must be re-directed towards more productive reinvestment. A 'back of the envelope' valuation of the market value of just the hydro businesses now owned by GTA municipalities yields a total of between $3 - 4 billion. The market values of water and waste water, garbage and transit businesses are harder to value but nonetheless represent very significant sums.

It is important to appreciate that the ability to realize these asset values places us at an important advantage with respect to the vast majority of other world cities, who either never owned or have disposed of these businesses. It is perhaps the only financial competitive advantage we have. Leaving aside the sterile debate over whether these assets should be in public or private ownership, what is essential is that they are used to provide the city-region with what seems unlikely to be obtainable to any significant degree from other sources, its very own substantial reinvestment capital base.

5. Ultimately, the most useful re-investment vehicle would be a GTA Infrastructure Fund, that was backed by the asset value and cash flow of the region's operating municipal businesses. Such a fund would of course have remarkable leverage potential, both from conventional financial institutions and from those with an inclination towards civic investment, most notably the public sector pension funds, with their very substantial assets and relative paucity of qualifying Canadian investment opportunities. Indeed the introduction into an infrastructure fund of such private sector partners would be a good way of ensuring that proper business and fiduciary practices were followed.

   The Federal and Provincial Governments could greatly assist the effectiveness of such a fund by granting it the same tax exempt status that such funds have in the US. These senior governments could help further if the fund's assets were depreciable and subsequent tax credits tradable as in U.S. cities.

6. While some capital financing might be available from the senior levels, the most politically painless forms of assistance for them to provide would be in the form of legislative and tax flexibility. The range of techniques have already been thoroughly tested by other cities. Enterprise zone legislation is

typical for the most difficult regeneration problems such as the Port, where corporate and income tax abatement are granted in exchange for private sector investment commitment. In less extreme situations, tradable tax credits for historic preservation, sales tax exemptions for social and rental housing construction and loan guarantee programs would be appropriate. While all of these techniques are largely foreign to the Canadian and Ontarian fiscal traditions, they are commonplace in competitive jurisdictions. Asking for 'soft' tax money in the form of tax credits, abatements and guarantees should be a lot more palatable than requesting grant monies and a lot less objectionable in a post-deficit public accounting world.

7. With respect to capital infrastructure funding, the Province could clearly assist and supplement the creation of an infrastructure fund at the GTA level. What would be most important would be the development of a shared cost multi-year program for the very substantial expenditures necessary for major transit initiatives and the 400- series highways to replace the current pattern of rare, random and uncoordinated announcements.

   The Provincial Government could further help the re-investment effort many ways in addition to direct financial contribution. They could complement any federal urban regeneration initiatives, give municipalities greater financial flexibility in managing their budgetary affairs, and with respect to the property tax, allow some of the TIF, exemption and abatement strategies competitor cities employ.

8. The city-region desperately needs the kind of urban regeneration management capacity characteristic of every other world city. No urban development corporations exist to undertake public/private projects and most alarmingly, there is an almost complete absence of the trained staff and experience necessary for such ventures. Publically owned entrepre-

neurial companies have been the typical agencies responsible for the waterfront and industrial land transformations in the U.S. and U.K. cities described earlier. That Toronto may have had some less than perfect experience with such agencies in the past is not a reason to avoid such ventures now; it is rather an imperative to undertake them as competently as our competitors.

9. Finally, Toronto cannot maintain its status as a competitive global city without the active involvement of the business, financial and institutional communities in its future. All the other successful cities surveyed have broadened the constituency committed to productive management of their urban future beyond the narrow frame of home-owner based local politics characteristic of the GTA's current political structures. The institutional involvement, particularly of financial, academic and voluntary-sector leadership, has brought with it business intelligence and resources without which no effective reinvestment plan can be realized. How we achieve this may be Toronto's biggest challenge.

"Organizations, be they companies, cities, countries or civilizations, need three things to be successful. Education, infrastructure and the work ethic."

Peter Drucker

APPENDIX A

INFRASTRUCTURE INVESTMENT IN U.S. CITIES

1. RESEARCH METHODOLOGY

The research component of the study was originally initiated for the City of St. Louis and focuses on downtown and central waterfront reinvestment activities, to provide comparables for our work on their reinvestment strategy.

The fourteen American cities were chosen as roughly comparable in size to St. Louis. Hence, New York, Los Angeles etc. were not included. The intent of the research was not be exhaustive but to be reflective of reinvestment activities and trends. Therefore data was gathered on projects for these cities that have a value of $10 million or more each, and were constructed or received firm commitments for construction during the period 1990-1999.

Our concern was to examine how governments and their agencies could directly impact redevelopment. Hence the focus is on projects that were not only built by governments but also private projects (for profit and not-for-profit) that received government assistance. This assistance could include tax credits, revenue bonds, grants, loan guarantees, development fee rebates, tax increment financing, ISTEA and/or TEA 21, Community Development Block Grant Funding (CDBG), etc.

Data and descriptions were obtained on federal, state and municipal capital funding programs. Searches were made of municipal and agency web sites, news articles and other readily available publications, for information on downtown and central waterfront development activities and trends. Projects that appeared to fit the parameters (in the downtown and/or central waterfront, valued $10 million or higher, receiving some form of government assistance, and built or committed to being built during 1990-1999) were identified.

Municipal departments and agencies and private sector organizations were then directly contacted, provided with the lists of potential projects and asked to provide more details. Defining the area to be considered as downtown and central waterfront was not imposed by the research team but left to each city to use their own existing definition. Consistency was controlled by having the same research staff make the enquiries and compare eligibility.

2. *INVESTMENT PROFILES FOR SURVEYED CITIES*

2.1. Boston: Selected Downtown and Waterfront Project Profiles, 1990-2000

Project	Type	Total Cost ($millions)	Financing ($millions)
Boston Convention and Exhibition Center	A	695.0	Public: 695.0
Arena and Train Station	A	370.0	Public: 184.0 Private: 186.0
Central Artery	IS	10,080.0	Public: 10,080.0
Sewage Treatment Plant	IS	4,000.0	Public: 4,000.0
Washington Street	IS	300.0	Public: 300.0
Boston Housing Authority	IS	90.0	Public: 90.0

2.2. Cincinnati: Selected Downtown and Waterfront Project Profiles, 1990-2000

Project	Type	Total Cost ($millions)	Financing ($millions)
Aronoff Arts Centre	A	82.0	Public: 62.0 Private: 20.0
National Underground Freedom Railroad Center	A	80.0	Public: 38.0 Private: 42.0
Paul Brown Stadium	A	270.0	Public: 270.0
Public Library Expansion	A	44.8	Public: 44.8
Garfield Housing Projects	DF	30.6	Public: 21.45 Private:9.15
Fort Washington Way	IS	182.0	Public: 168.0 Private: 14.0

2.3. Cleveland: Selected Downtown and Waterfront Project Profiles, 1990-2000

Project	Type	Total Cost ($millions)	Financing ($millions)
Cleveland Stadium	A	250.0	Public: 150.0 Private: 100.0
Cleveland Public Library	A	100.0	Public: 100.0
Gateway Sports and Entertainment Complex	A	435.0	Public: 261.0 Private: 174.0
Great Lakes Science Center	A	55.0	Public: 2.75 Private: 52.25
Playhouse Square Center	A	17.0	Public: 3.4 Private: 13.6
Rock and Roll Hall of Fame	A	92.0	Public: 55.2 Private: 36.8
Courthouse Tower	DF	70.0	Public: 70.0
Crittenden Court	DF	18.0	Public: 1.8 Private: 16.2
Society Tower	DF	400.0	Public: 8.0 Private: 392.0
Waterfront Line	IS	55.0	Public: 55.0

2.4. Dallas: Selected Downtown and Waterfront Project Profiles, 1990-2000

Project Type	Total	Cost ($millions)	Financing ($millions)
Dallas Convention Center	A	130.0	Public: 130.0
American Airlines Center	A	780.0	Public: 139.0 Private: 641.0
Santa Fe Terminal Urban Lofts	DF	18.7	Public: 5.7 Private: 13.0
Kirby Building	DF	21.5	Public: 7.5 Private: 13.0
Davis Building	DF	35.2	Public: 5.0 Private: 30.2
Park at Farmers Market	DF	100.0	Public: 5.0 Private: 95.0
1900 Elm	DF	11.8	Public: 4.0 Private: 7.8
Adam's Mark Dallas	DF	150.0	Public: 9.0 Private: 141.0
Hyatt Regency Dallas	DF	15.0	Public: 1.0 Private: 14.0
Magnolia Building	DF	35.0	Public: 1.8 Private: 33.2
Dart Transit Mall	IS	60.0	Public: 60.0

2.5. Denver: Selected Downtown and Waterfront Project Profiles, 1990-2000

Project	Type	Total Cost ($millions)	Financing ($millions)
Coors Field	A	215.0	Public: 162.0 Private: 53.0
Elitch Gardens	A	95.0	Public: 29.6 Private: 65.4
Denver Pavilion	A	101.5	Public: 24.5 Private: 77.0
Adam's Mark Hotel	DF	135.0	Public: 25.0 Private: 110.0
Denver Dry Building	DF	48.2	Public: 8.0 Private: 40.2
Bank Lofts	DF	10.5	Public: 0.96 Private: 9.54
Boston Lofts	DF	23.4	Public: 0.95 Private: 22.45
Holtz Executive Place	DF	19.5	Public: 1.95 Private: 17.55
Mercantile Square	DF	20.7	Public: 3.23 Private: 17.47
REI	DF	38.0	Public: 12.0 Private: 26.0
Broadway Viaduct	IS	27.0	Public: 27.0
RTD Light Rail	IS	117.0	Public: 117.0
Spear-Lincoln Tunnel	IS	22.0	Public: 22.0
16th Street Mall	IS	227.2	Public: 227.2
20th/16th Street Viaduct	IS	86.0	Public: 86.0
23rd Street Viaduct	IS	67.0	Public: 67.0

2.6. *Detroit: Selected Downtown and Waterfront Project Profiles, 1990-2000*

Project	Type	Total Cost ($millions)	Financing ($millions)
Charles H. Wright Museum	A	35.0	Public: 35.0
Detroit Tigers Stadium	A	260.0	Public: 135.0 Private: 125.0
Lions Stadium	A	230.0	Public: 180.0 Private: 50.0
Detroit Institute of Art	A	25.0	Public: 25.0
The Renaissance Center	DF	572.0	Public: 572.0
Three Temporary Casinos	DF	426.0	Public: 426.0
Harmonie Park	DF	22.3	Public: 5.5 Private: 16.8
Intermodal Station	IS	11.0	Public: 11.0
Casino Park	CA	50.0	Public: 50.0

2.7. *Indianapolis: Selected Downtown and Waterfront Project Profiles, 1990-2000*

Project	Type	Total Cost ($millions)	Financing ($millions)
Fieldhouse	A	175.0	Public: 71.0 Private: 104.0
Circle Center	A	477.5	Public: 187.0 Private: 290.5
Murat Center Renovation	A	10.8	Public: 4.8 Private: 6.0
NCAA Headquarters and Hall of Fame	A	50.0	Public: 25.0 Private: 25.0
Indiana Convention Center and RCA Dome	A	45.0	Public: 17.0 Private: 28.0
Victory Field	A	20.0	Public: 10.0 Private: 10.0
Anthem	DF	50.0	Public: 21.0 Private: 29.0
Adam's Mark Hotel	DF	50.0	Public: 3.3 Private: 46.7
Canal Court Apartments	DF	16.5	Public: .25 Private: 16.25
Canal Hotel Center	DF	15.0	Public: .25 Private: 14.75
Canal Square	DF	25.0	Public: 2.0 Private: 23.0
Hampton Inn	DF	11.0	Public: 0.1 Private: 10.9
Eli Lilly Technology Centre and Corporate Complex	DF	1,000.0	Public: 35.0 Private: 965.0
Emmis Broadcasting	DF	40.5	Public: 14.0 Private: 26.5
USA Group	DF	22.0	Public: 8.0 Private: 14.0
Marriot Hotel	DF	90.0	Public: 23.0 Private: 67.0
Washington Street Improvements	IS	20.0	Public: 20.0

2.8. *Miami: Selected Downtown and Waterfront Project Profiles, 1990-2000*

Project	Type	Total Cost ($millions)	Financing ($millions)
American Airlines Sports Arena	A	165.0	Public: 10.0 Private: 155.0
Parrot Jungle	A	45.0	Public: 25.0 Private: 20.0
Performing Arts Center	A	244.0	Public: 201.0 Private: 3.0
West Brickell Apartments	DF	10.0	Public: 2.5 Private: 7.5
Biscayne Boulevard	IS	14.0	Public: 14.0
Municipal Garage	IS	13.0	Public: 14.0

2.9. *Minneapolis: Selected Downtown and Waterfront Project Profiles, 1990-2000*

Project	Type	Total Cost ($millions)	Financing ($millions)
Convention Center	A	150.0	Public: 150.0
Target Center	A	94.0	Public: 23.0 Private: 71.0
Orpheum Theatre	A	10.5	Public: 10.5
Shubert Theatre	A	16.0	Public: 4.6 Private: 11.4
Dain Bosworth Plaza	DF	175.0	Public: 15.0 Private: 160.0
LaSalle Plaza Phase I	DF	143.0	Public: 24.0 Private: 119.0
Hilton Hotel	DF	144.8	Public: 89.3 Private: 55.5
City Center	DF	17.0	Public: 4.0 Private: 13.0
Block E Development	DF	98.2	Public: 36.5 Private: 61.7
Laurel Village Phase I-III	DF	103.0	Public: 26.7 Private: 76.3
Milwaukee Depot	DF	49.7	Public: 11.9 Private: 37.8
Father Louis Hennepin Bridge	IS	22.0	Public: 22.0
7th Street N Parking Ramp	IS	60.0	Public: 60.0
4th Street Parking	IS	33.0	Public: 33.0
Leamington Transit Hub	IS	48.0	Public: 5.6 Private: 42.4
Nicollet Mall Phase I	IS	17.7	Public: 2.7 Private: 15.0

2.10. St. Paul: Selected Downtown and Waterfront Project Profiles, 1990-2000

Project	Type	Total Cost ($millions)	Financing ($millions)
RiverCenter Arena	A	130.0	Public: 95.0 Private: 35.0
RiverCenter Convention and Entertainment Center.	A	82.0	Public: 82.0
Science Museum	A	99.0	Public: 49.5 Private: 49.5
Lawson Commons	DF	105.0	Public: 99.6 Private: 5.4
Mutual Life Insurance	DF	80.0	Public: 15.0 Private: 65.0
Citco Site	DF	12.0	Public: 12.0
Downtown Floodwall Improvement Project	IS	18.8	Public: 18.8
Wabasha Bridge	IS	35.0	Public: 35.0

Note: *A = Attractions*
DF = Publicly Funded Private Developments
IS = Infrastructure
CA = Civic Amenities

3. SELECT PROJECT PROFILES

3.1. Cultural Attractions

Rock and Roll Hall of Fame, Cleveland

This 150,00 sq. ft. interactive museum was opened in 1995 at a cost of $92 million, of which 60 percent was publicly funded.

Tiger Stadium, Detroit

Tigers Stadium will open in 2000 as an open air natural turf baseball park with seating for 42,000. The $260 million project received a $55 million grant from the State of Michigan, $40 million Detroit Development Authority tax increment bonds, $40 million from Wayne County and $125 million from the Detroit Tigers.

Circle Center, Indianapolis

Circle Centre is a two-block long entertainment and retail complex. $187 million was funded through tax increment financing and $290 in private capital.

Parrot Jungle, Miami

Parrot Jungle is a 16 acre interpretive wildlife visitors center. A $25 million HUD development loan was provided with the remaining $20 million costs being covered by private investors.

3.2. Publicly-Funded Private Developments

Lawson Commons, St. Paul

Lawson Commons is a 13 story office building and municipal parking lot on what was a vacant lot. $99.6 million in loans, including tax increment financing was provided, while the private sector contributed $5.4 million.

Laurel Village, Minneapolis

Phases I through III of Laurel Village provided 795 residential units in downtown Minneapolis. $26.7 million was invested through tax increment financing with the remaining $76.3 million coming from private equity and debt financing.

Harmonie Park, Detroit

Harmonie Park is a renovated loft conversion project, including office, restaurant and retail space. A $5 million dollar public investment leveraged $16.6 million in private funds.

Garfield, Cincinnati

The Garfield Housing projects combine new apartment units, townhomes and retail space. Garfield was funded through partnership between the City, State of Ohio and private investors for a total public investment of $21 million and $9 million in private financing.

3.3. Infrastructure

Boston Harbor, Boston

The Massachusetts Water Resources Authority is completing the construction of one of the largest waste water treatment facilities in the nation. This $4 billion project is being financed percent by the federal government, with the remaining funds coming from water rate payers.

Fort Washington Way, Cincinnati

Fort Washington Way involves a major reconstruction of a transportation artery into the downtown. The project includes a reduction of the right of way, freeing 15 acres of waterfront land for redevelopment. The $182 million project is being funded by the federal, state and local governments.

16th Street Mall, Denver

As part of the downtown Business Improvement District, Denver's 16th Street pedestrian mall was given a major extension in 1995. High occupancy vehicle lanes were also built between the mall and city center. This $227 million project was financed by the Denver Urban Renewal Authority.

Leamington Municipal Transit Hub, Minneapolis

The Leamington Municipal Transit Hub is a 2,000 space garage, supplemented by an additional connecting 1,200 space garage at the new Hilton Hotel opened in 1992 at a cost of $48.0 million. The public investment was $5.6 million leveraging $42.4 million in private investment.

APPENDIX B

U.S. URBAN REGENERATION DELIVERY VEHICLES

1. *DOWNTOWN DEVELOPMENT AUTHORITIES*

1.1. Atlanta Development Authority (ADA)

The ADA is an independent public agency created by the City of Atlanta to promote revitalization and growth of the City. The ADA is responsible for a number of development finance activities, including a variety of federal, state and municipally funded commercial and residential development business loans and tax incentives. The Authority can also issue bonds to support itself and on behalf of specific developments. It is Chaired by the Mayor and has a staff of 25.

1.2. Boston Redevelopment Authority (BRA)

The BRA is responsible for all planning and zoning functions as well as economic and industrial development efforts, including the issuance of debentures, revenue bonds (which do not constitute indebtedness of the City), financing and loan programs for businesses and job training. It is governed by a five member board, four of whom are appointed by the Mayor, subject to confirmation by City Council, and one of whom is appointed by the Secretary of the Massachusetts Executive Office of Communities and Development. The BRA is led by a Director, appointed by the Board, who also serves in the Mayor's Cabinet as Chief Economic Development Officer. There is a professional and administrative staff of over 100.

1.3. Southern Dallas Development Corporation (SDDC)

The SDDC was established in 1989 by the City of Dallas as a private not-for-profit community development organization, and was given administrative responsibility for five financial assistance programs for new and expanding businesses. These programs are implemented through the Dallas Business Finance Corporation - the certified development corporation of the SDDC.

1.4. Denver Urban Renewal Authority (DURA)

The DURA is an 11-member redevelopment agency appointed by the Mayor of Denver whose primary focus is the use of public investment to lever private investment. DURA has authority to issue tax exempt bonds to pay for public improvements that support private development efforts. DURA finances business and housing redevelopment through tax increment financing and Community Development Block Grants. As of February 1999, the total development cost of current DURA projects was $2.2 billion. It has a staff of 18.

1.5. Detroit Downtown Development Authority (DDDA)

The DDDA is a private non-profit corporation that administers the City of Detroit's tax incentive finance program and also has authority to issue private activity revenue bonds to support local development. The City of Detroit Planning Department retains control over Federal allocations under the Community Development Block Grant and Transportation Equity Act for the 21st Century Programs.

1.6. Indianapolis Downtown Inc. (IDI)

IDI, and its affiliate Indianapolis Downtown Marketing Inc. (IDMI), are charged with planning, developing, managing and marketing downtown Indianapolis. Both are not-for-profit corporations which combine public and private sector investments to improve downtown.

1.7. Miami Downtown Development Authority (DDA)

The DDA is responsible for the planning and economic development of Downtown Miami. DDA's activities are funded through a special tax assessment district, based on an ad valorem tax of .5 mills per $1,000. The DDA also has authority to issue revenue bonds on its own behalf, and in support of private development activities. DDA's Board of Directors consists of private citizens, and senior representatives from the City, County and State.

1.8. Minneapolis Community Development Agency (MCDA)

The MCDA was created by City Council as an independent corporation charged with the administration of more than 100 housing and economic development programs - including loans and sale of lands. The MCDA is responsible for administering Federal funding under the Community Development Block Grant and HOPE III programs. It also has the authority to issue revenue bonds and use tax increment financing. In addition, the City provides $20 million annually for the MCDAs Neighbourhood Revitalization Program.

1.9. The San Francisco Redevelopment Agency (SRA)

The SRA serves as the City of San Francisco's real-estate arm. The SRA has power to incur debt on behalf of the City and issue loan funds. It can also acquire and sell land, and construct infrastructure and other private facilities to help attract private investment.

2. DOWNTOWN DEVELOPMENT PARTNERSHIPS

2.1. Central Atlanta Progress (CAP)

CAP is a partnership among: the Downtown Atlanta Improvement District - which improves public amenities and safety in the downtown and is funded through a special tax assessment district; the Fairlie Poplar Task Force - which promotes the revitalization of historic buildings and structures and is funded through Foundation donations, contributions and government grants; the Atlanta Downtown Partnership - which manages events and marketing for the restaurant, tourism and retail sector; and, the Centennial Olympic Park Association - which helps establish public-private partnerships to facilitate development around the Olympic Park. CAP is led by an Executive Committee of 56 executives from Atlanta's business sector.

2.2. The New York City Partnership

The New York City Partnership was formed to formalize public-private relationships established in the mid 1970's. The Partnership consists of more than 200 individuals, with executive-level representation from the City's business, academic, civic, non-profit and cultural sectors. The Partnership has helped launch the New York City Investment Fund in 1996 and the New York City Housing Partnership - which has levered more than $1.5 billion in private investment to help rebuild the City's neighbourhoods.

2.3. The Alliance for Downtown New York

The Alliance for Downtown New York was established in 1995 to create a safe, clean, totally-wired community to serve as the financial capital of the world for the 21st century. The Alliance's activities are financed through the Lower Downtown-Manhattan Business Improvement District. The Alliance's 38-member Board of Directors is composed of executives from the business sector and public administration. It has an annual budget of $10 million and a staff of 35.

2.4. Downtown Denver Partnership Inc. (DDPI)

The DDPI is a non-profit organization that is responsible for the planning, management and development of Downtown Denver. DDPI operates through its three affiliates: Downtown Denver Inc. - which cultivates private sector leadership and implements programs to enhance Downtown Denver's business, cultural and residential environment; Denver Civic Ventures Inc. - a charitable public purpose corporation that implements civic design and development initiatives; and the Downtown Denver Business Improvement District - which maintains the 16th Street Mall, funds district-wide security, provides marketing and business development services, and provides property owner leadership in the enhancement of Downtown Denver.

2.5. Detroit Greater Downtown Partnership (DGDP)

The DGDP is a private not-for-profit corporation formed by Mayor Archer in partnership with Detroit Renaissance in 1996. The DGDP is responsible for creating a development strategy for Detroit's Central Business District core, and to selectively acquire, clear and market redevelopment sites. The DGDP's Board of Directors includes, amongst others, the CEO of Chrysler Corp, the CFO of General Motors, the Director of the City of Detroit.

2.6. St. Louis Downtown Now! Task Force

St. Louis Downtown Now! is a public-private partnership created by Mayor Clarence Harmon in 1997, to develop a revitalization plan for downtown St. Louis. Downtown Now! is led by the St. Louis Regional Commerce and Growth Association, Downtown St. Louis Partnership, St. Louis 2004 and the St. Louis Development Corporation.

2.7. The San Francisco Partnership (SFP)

SFP is a privately funded body which acts as a liaison between prospective businesses and various public departments, agencies and organizations. Currently, SFP is chaired by the Chairman of The GAP Inc. Its Board of Directors include, amongst others, the Mayor of San Francisco and executives from the business sector.

APPENDIX C

LOCAL CAPITAL FUNDING PROGRAMS IN THE U.S. AND U.K.

1. *UNITED STATES*

1.1. Clinton-Gore Liveability Agenda

The proposed Clinton-Gore Liveability Agenda is intended to help communities grow in ways that ensure a high quality of life and strong, sustainable economic growth. The Agenda is tied to the FY 2000 Federal Budget. The goals of the Agenda are to: preserve green spaces; ease traffic congestion; restore a sense of community; promote collaboration; and enhance economic competitiveness. The Agenda consists of three main programs:

Better America Bonds

Under Better America Bonds, $9.5 billion in bond authority would be made available to state, local and tribal governments in the year 2000 to preserve green space, create or restore urban parks, protect water quality and clean-up brownfields. These bonds will be supported by tax credits totalling more than $750 million over five years.

Community Transportation Choices

Community Transportation Choices is based on $6.1 billion and $2.2. billion from the Transportation Equity Act to fund public transit and community based transportation programs. These programs can be used to help communities create regional transportation strategies, improve existing roads and transit and encourage a broader use of alternative transportation.

Regional Connections Initiative

Regional Connections will provide $50 million in matching funds, via the Department of Housing and urban Development, to local partnerships to plan and design 'smart' regional growth strategies.

1.2. Department of Housing and Urban Development

The Department of Housing and Urban Development (HUD) is one of two Federal Departments responsible for the allocation of federal funding for urban regeneration initiatives in the U.S. HUD administers 27 funding programs in the fields of community development, economic development, affordable housing and special needs assistance. Those programs most-often used to fund urban regeneration initiatives are outlined below.

Community Development Block Grant Entitlement Communities Program (CDBG)

The CDBG is the eighth largest federal grant program in the U.S. This program provides eligible metropolitan cities and urban counties with direct annual grants to fund a wide variety of activities provided that they: benefit low to moderate income families; prevent of eliminate slums or blight; or meet other urgent community development needs. CDBG funds can be used to acquire, reconstruct or rehabilitate real property, construct hard and soft infrastructure and provide economic development incentives to for-profit businesses. In 1998, this program was funded at $3.017 billion, 70 percent of which was directly allocated to entitlement communities.

Community Development Block Grant Technical Assistance (CDBG-TA) Program

CDBG-TA funds are awarded on competitive basis to national, regional and local technical assistance providers to help CDBG recipients plan, develop, manage and administer their entitlement more effectively and efficiently. CDBG-TA funds can be used for pure technical assistance services or to create products such as training manuals. In 1998, this program was funded at $4.0 million.

Section 108 Loan Guarantee Program

Section 108 Loans are awarded on a competitive basis and can be used by CDBG recipients to transform a portion of their allocation into federally-guaranteed loans to attract private investment in large-scale physical and economic revitalization projects. Communities borrowing Section 108 guaranteed funds must pledge their current and future CDBG allocations (up to the loan amount) as security for the loan. Section 108 Loans can be used to acquire property, rehabilitate publicly-owned property; rehabilitate housing; acquire, construct, reconstruct or install public facilities; and other economic development activities. In 1998, this program received $1.2 billion in loan guarantee authority.

Economic Development Initiative (EDI)

EDI grants are competitive grants that can be used as additional security against Section 108 Loans, thereby reducing the risk associated with using a communities future CDBG allocations as loan collateral. EDI's can also be directly applied to the cost of a Section 108 Loan funded project, thereby improving its financial viability. EDI funds can only be used on projects assisted through Section 108 Loans. In 1996, EDI was funded at $50 million.

Brownfields Economic Development Initiative (BEDI)

BEDI grants can also be used to enhance the security of Section 108 Loans or improve the viability of projects financed through Section 108's in the same manner as EDI's. BEDI funds can be used for any eligible activities under the Section 108 Loan program. For example, BEDIs funds can be applied to site remediation costs, or to acquire a brownfield and convey the site to a private party at a below-market price. BEDI funds cannot be directly applied to the principle under the Section 108 Loan. In 1998, BEDI was funded at $25 million.

Empowerment Zones and Enterprise Communities (EZ/EC)

EZs/ECs are federally-recognized economically depressed areas that are eligible to use flexible financing techniques to retain and attract investment, and receive certain preferences under Federal funding programs. Generally, the types of assistance available in EZs/ECs include tax incentives, wage tax credits, increased tax expensing, tax-exempt bond financing, relaxed eligibility rules for bonds and expensing, private activity-bonds, public school renovation tax credits. In addition, EZs/ECs also receive funding priority under the following programs: CDBG; EDI; Emergency Shelter Grants; and Brownfield Tax Incentive. Since 1994, EZs/ECs have received more that $1.5 billion in performance grants and $2.5 billion in tax incentives.

Home Investment Partnership Program (HOME)

HOME is the largest federal block grant to state and local government designed exclusively to create affordable housing for low-income households. HOME funds are awarded annually as formula grants to participating jurisdictions. States area automatically eligible for HOME funding and receive a minimum of $3 million annually. Local jurisdictions are also eligible for at least $500,000 under the formula and can also receive an allocation. HOME funds can be used to: provide home financing assistance; construct or rehabilitate housing; or to undertake any other reasonable and necessary expense related to the development of non-luxury housing. Some special conditions apply to the use of HOME funds, the most important being that participating jurisdictions must match every HOME dollar with 25 cents derived from other non-federal sources. In 1998, HOME was funded at $1.4 billion.

Revitalization of Severely Distressed Public Housing (HOPE VI)

HOPE VI provides grants and certain regulatory flexibilities to public housing authorities to improve the physical condition of public housing developments, improve public housing management, and develop social and community services. Any public housing authority is eligible to apply for HOPE VI funding. HOPE VI permits expenditures for the capital costs of demolition, construction, rehabilitation, and other physical improvements, development of replacement housing, planning and technical assistance, and planning and implementation of new self-sufficiency programs. In 1998, HOPE-VI was funded at $550 million, of which $10 million was allocated for technical assistance, $26 million for demolition and revitalization of public housing for the elderly.

1.3. Department of Transportation

The Department of Transportation (DOT) is the second Federal Department responsible for the allocation of federal funding for urban regeneration initiatives in the U.S. The primary program administered by the DOT used to fund urban regeneration initiatives is the Transportation Equity Act for the 21st Century. This program, and it's various subprograms are briefly outlined below.

The Transportation Equity Act for the 21st Century (TEA-21)

TEA-21 is the successor to the Intermodal Surface Transportation Efficiency Act (ISTEA). TEA-21 provides guaranteed minimum levels of funding for highways and transit systems throughout the U.S. This six year program is estimated to be funded at $198 billion - as a guaranteed floor. Full authorizations however, for highway and transit programs total almost $218 billion. Of this amount, about 4 percent will go to the construction of new road infrastructure, and 17 percent will go towards transit expenditures.

Federal Highway Administration (FHA)

The FHA has its own Metropolitan Planning Program with an apportionment for 1999 of $187 million. The FHA State Planning and Research Program will receive $478 million in 1999. The Federal-Aid Highway Program has a budget of $27.3 billion for the year 2000 to maintain the highways critical to interstate transportation. For each State, TEA-21 specifies the share of aggregate funding to be spent on: Interstate Maintenance, National Highway System, Bridge Congestion Mitigation and Air Quality Improvement, Surface Transportation Program, Metropolitan Planning, High Priority Projects, Appalachian Development Highway System, Recreational Trails, and the Minimum Guarantee funding itself.

The highway programs of the Federal Government and most States depend on motor fuel taxes as the principal source of funding. These funds are deposited to the Highway Trust Fund (HTF). The HTF is composed of the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account.

Federal Transit Administration Appropriations

The total guaranteed transit funding under TEA-21 for 1998 to 2003 is $36 billion, (non-guaranteed equals another $5 billion) invested via the following programs:

The Urbanized Area Formula Program

The Urban Area Formula Program apportions funds by statutory formula to urbanized areas and to the Governors to provide capital, operating and planning assistance in urbanized areas. The apportionment for 1999 is $2.5 billion. Between 1998 and 2003 it will total $17.2 billion.

Capital Program for Fixed Guideway Modernization

The Capital Program for Fixed Guideway Modernization funds are apportioned by statutory formula to specified urbanized areas for capital improvements in rail and other fixed guideways. The apportionment for 1999 is $980 million, for 1998 to 2003, $6.1 billion.

New Starts

New Starts funds construction of new rail and other fixed guideway systems. The intent is explicitly to improve the productivity and competitiveness of metropolitan areas. Funding is based on an application and evaluation process and agreement negotiation. The allocation for 1999 is $903 million, for 1998 to 2003, $6.1 billion.

Metropolitan Planning Funds

Metropolitan Planning Funds are apportioned by a statutory formula to the State Governors for reallocation to Metropolitan Planning Organizations (MPOs) in urbanized areas. The allocation for 1999 is $44 million. Between 1998 and 2003 it will total $301 million. This includes the Metropolitan Transportation Improvement Programs (TIPS)

State and Planning Research

State and Planning Research funds are also are appropriated to states by a statutory formula. The apportionment for 1999 is about $10 million. Between 1998 and 2003 it will total $62 million. This includes the State Transportation Improvement Programs (STIP)

Elderly and Persons with Disabilities Program

The Elderly and Persons with Disabilities Program funds are apportioned by statutory formula to State Governors to provide capital assistance to organizations providing transportation service for the elderly and persons with disabilities. The apportionment for 1999 is $67 million, for 1998 to 2003, $456 million.

Clean Fuels Program

The new TEA-21 Clean Fuels Program provides $50 million in funding annually to convert and purchase buses that run on clean fuels. The apportionment for 1999 $50 million, for 1998 to 2003 is $250 million.

Job Access and Reverse Commute Programs

The Job Access Program funds projects which help transport welfare recipients and low-income individuals to and from jobs and other employment-related activities. The Reverse Commute Program funds projects providing transportation services for the general public. All projects funded must be derived from a regional Job Access and Reverse Commute Transportation Plan. The 1999 allocation is $50 million, with growth in funding each year, the total for 1999 to 2003 is $500 million.

Transportation and Community System Preservation Pilot Program

The new TEA-21 Transportation and Community System Preservation Pilot Program enables grantees to plan or implement activities that investigate and address the relationship between transportation efficiency, community preservation, and environmental goals. Eligible grantees are State agencies, MPO's and local government departments, including public transit agencies. $20 million is provided for 1999, with a total of $120 million for 1999 to 2003.

1.4 Innovative Financing Techniques for American Transit Systems

Certificates of Participation and Lease-backed Bonds

Certificates of Participation (COPs) are one mechanism for better matching the flow of revenues and outlays. If an agency must replace 50 buses in its fleet, but only has adequate revenue streams to purchase ten in a year, issuing COPs backed by future flows of Federal and local funds could permit the full replacement acquisition to be undertaken at one time. The interest expense associated with lease payments can be reimbursed by federal grants at the 80 percent matching level.

COPs have been used to finance bus acquisitions and a light rail system. COPs are issued by state-authorized tax-exempt entities usually called finance corporations. These finance corporations issue bonds to the public based on the security of either: a lease with the transit system sufficient to redeem the bonds as they mature; a reserve fund sufficient to make at least one scheduled payment; a promise by the transit system to use subsequent years' grant funds to make the lease payments. (Most transit systems have received federal funding for twenty years or more.) The vehicles are leased to the transit system which makes semi-annual lease payments from a combination of local funds and federal grant funds.

Cross-Border and Domestic Leases

A cross-border lease is a mechanism which permits investors of a foreign country to own assets used in the U.S., lease them to an American entity, and receive tax benefits (depreciation expense, or capital cost allowance) under the laws of the home country. Usually this involves assets purchased from that country. The sale/leaseback structures can be entered into without the assistance of a purpose-designed state entity. Between 1988 and 1996 cross-border leases totalled $1.23 billion.

Domestic leases replace the old but now illegal 'safe harbour lease'. Domestic leases involve the sale and leaseback of assets belonging to tax-exempt entities that cannot, in ordinary circumstances, benefit from depreciation on their capital assets. The initial lease must be for at most 85 percent of the assets useful life, and the asset must be saleable at the end of the lease at a market price, to any willing buyer. The transit system participates in these transactions because it can realize a net present value benefit of between 2.5 and 4.5 percent of the transaction size.

Joint Development

Transit projects of all kinds have been funded with Federal grants since the late 1960s. Naturally this has included the purchase of real property. FTA grants can be used to develop property that will both secure a revenue stream for the transit system and help shape the community being served by the system. Grantees can use federally funded property for sale as excess for non-transit uses; they can lease the property for non-interfering use by others; or they can undertake a transit oriented joint development of the property with a private firm. Joint development can be accomplished through sale or lease or direct participation of the transit agency. The agency must retain sufficient control to ensure the property continues a physical functional relationship to transit. The focus of this effort is usually a region's central business district and development around rapid rail stations.

Turnkey

The common factor in turnkey contracts of all kinds is a more or less independent contractor, who is responsible for delivering a product at a certain time at a negotiated price. If the project is delayed, the price paid by the purchaser usually declines. If the project is under budget the contractor's profit increases.

The reason for a transit authority to use this mechanism is that it may be unfamiliar with all of the technical requirements, or have insufficient staff to manage the project. The contractor is usually in charge of scheduling, equipment, construction and assembly, hiring of sub-contractors, and securing necessary permits.

The benefit to the transit operator comes from executing one contract with one entity at a pre-determined price. Most rail transit projects in the U.S. involve non U.S. systems and equipment. Thus project costs may be affected by foreign exchange fluctuations. Usually the turnkey manager mitigates this risk.

Most transit providers are not able to finance the project with their own resources, as they depend on annual appropriations to buy rolling stock, facilities and whole new systems. In this case the turnkey manager may be able to use its own credit rating to seek financing. The transit operator may defray the cost of financing through progress payments or a bond issue of its city or state. A variant is for the transit operator to lease the facility from the turnkey manager for 10, 20 or even 30 years, and then buy out the manager at the end of the lease term.

State Infrastructure Banks (SIB)

SIBs are created with Federal dollars, to establish a leveraging program or to create a revolving loan fund, to be administered at the state level. Existing federally funded projects have a 1:4 ratio (i.e. one new dollar invested for every four Federal dollars). Leveraged SIBs are projected to achieve ratios in the range of 2:1 to 4:1. Transit systems do not charge fares sufficient to cover all operating costs, much less contribute to capital costs, but they may have access to other sources of funding. These may include benefit assessment districts, special appropriations, dedicated tax increments and joint development revenues.

2 *UNITED KINGDOM*

2.1. The Single Regeneration Budget

The Single Regeneration Budget (SRB) provides resources to community-based regeneration initiatives in England that enhance economic development and social cohesion through effective regional action and integrated local regeneration programs. Generally, SRB funds are used to support regeneration initiatives that: enhance the employment prospects, education and skills of local people; address social exclusion and enhance opportunities for the disadvantaged; promote sustainable regeneration, improve or protect the environment and infrastructure, including housing; support and promote growth in local economies and businesses; address crime and substance abuse; and improve community safety. About 80 percent of SRB funds are used to support comprehensive, five-year, regeneration initiatives for larger areas, while the remaining 20 percent are used to fund less-comprehensive schemes in smaller areas.

Between 1992 and 1999, the SRB committed £10.2 billion to support regeneration activities throughout the U.K. The majority of SRB funds were allocated through three main urban regeneration programs and three non-departmental public bodies. These programs and bodies are briefly summarized as follows.

Urban Regeneration Programs

City Challenge Fund

The City Challenge Fund was the primary funding vehicle used to support community-based regeneration initiatives. The Fund allocates resources in response to competitive bids from local authorities that are designed to achieve self-sustaining economic regeneration, and are implemented by partnership between the local authority, the private and voluntary sectors and the local community. The first round of funding was issued to 11 partnerships in 1992 and ended in 1997. A second round was issued to an additional 20 partnerships in 1993, and ended in 1998-1999. Together, these 31 partnerships received a total of £1.1 billion in funding.

Challenge Fund

The Challenge Fund was initiated in 1995, as the successor to the City Challenge Fund. Since this time, the Challenge Fund has allocated £1.4 billion to various urban regeneration partnerships throughout the U.K.

Estate Action

The Estate Action Program aims to help local authorities transform unpopular housing estates into places where people want to live. Grants are provided to improve the physical condition of estate housing, improve housing management, secure tenant involvement, provide variety and choice in housing, and create opportunities for training and enterprise. Between 1992 and 1998, £1.9 billion has been allocated to local authorities under this program. Currently, the program only funds projects which were approved prior to 1994.

Non-Departmental Public Bodies

Urban Development Corporations

Between 1981 and 1993, 12 Urban Development Corporations (UDC's) were established in England with the responsibility of regenerating their respective inner-city areas. Between 1992 and 1998, these bodies were responsible for directing £1.6 billion in SRB funding to inner city areas in Leeds, Bristol, Sheffield, Merseyside, Plymouth, Teesside, Tyne and Wear, London Docklands, Central Manchester, Black Country, Trafford Park, and Birmingham Heartlands. All 12 UDC's have been subsequently dissolved.

English Partnerships (EP)

EP is a Government-sponsored body charged with the regeneration of derelict, vacant and underutilized land and buildings throughout England. EP's activities are concentrated in four main areas: area regeneration; land reclamation; major individual investment opportunities; and community development. EP's activities are financed through the English Partnerships Investment Fund. This fund covers four broad programming areas, parallel to EPs main activity areas:

- Land Reclamation Program: funding for local authority land reclamation projects;
- Direct Development Program: provides serviced land and commercial/industrial premises where development partners are not forthcoming;
- Partnership Investment Program: covers investments made through joint ventures and development agreements with private sector developers and other parties; and,
- Community Investment Fund: funding to smaller, voluntary-based or community-led organizations involved in community development.

EP is funded as an element of the SRB through grant-in-aid, through other complementary funding sources, and through its own revenues. Between 1992 and 1998, £1.5 billion has been allocated to EP under the SRB. This figure includes funds allocated through the City Grant, Derelict Land Grant and English Estates programs in 1994, and spending on the Greenwich Millennium site in 1996.

A reflective sample of EP supported projects are briefly summarized below.

Royal Docks, East London

In April 1998, EP took responsibility for completing all major projects in progress when the London Docklands Development Corporation came to the end of its life. The Agency will invest over £42 million to create an international rowing course, a new public park and create several development sites north of the Royal Victoria Docks.

Europarc, Grimsby

EP invested £9.9 million to prepare a 52 ha site located along the A180 near Grimsby in North East Lincolnshire with the intention of attracting private sector interest to develop a 118,000 sq.m. industrial business park. The site was developed in partnership with the North East Lincolnshire Council.

The Big Issue, Manchester

EP is providing over £380,000 to fund a range of services for the homeless in Manchester. EP has assisted the Big Issue in their £800,000 plan to acquire and transform a derelict furniture showroom into the organization's headquarters and homeless service centre.

Hooton Park, Ellesmere Port

In partnership with AMEC Developments, EP is investing £20 million in the Hooton Business Park adjoining the Vauxhall Motors Ellesmere Port Plant.

Alpha Court, Capitol Park, Thorne, Doncaster

In Yorkshire and Humberside, EP is investing nearly £2 million in a two-phase development to create a speculative factory and distribution units at Capitol Park, Thorne, South Yorkshire. The Alpha Court development is a joint venture with Sterling Capitol Plc.

Herrington Colliery, Sunderland

Situated in Sunderland's greenbelt, Herrington Colliery pit heap is one of the largest and longest standing derelict sites in the North East. Working with City Council, EP is investing £5.7 million to reclaim the land and transform it into a park.

Allerton Bywater, Leeds

EP has committed £5.8 million towards the regeneration of the former Allerton Bywater Colliery site. EP funding will be used for land reclamation and preparation for residential and commercial redevelopment.

Baltic Flour Mill, Gateshead

EP is investing approximately £4 million to help reconvert the Baltic Flour Mill into a contemporary art gallery in partnership with the Gateshead Metropolitan Borough Council, Northern Arts and the Private Sector.

Housing Action Trusts (HATs)

Between 1991 and 1994, 6 HATs were established in England with representation from estate residents and local authority representatives. Each HAT is to manage its estate effectively, to encourage diversity of tenure, and to achieve sustainable improvement of its housing and of the living and social conditions of the community in its areas. Between 1992 and 1998, £555 million has been allocated to HATs under the SRB.

2.2. *Millennium Commission*

Established in 1994, the Millennium Commission is an independent body that allocates 20 percent of proceeds from the national lottery to projects that '...make a lasting contribution to the public good as the U.K. approaches the third millennium'. The Commission awards grants in three main programming areas: Capital Projects - which include projects of a national, regional or more local significance; Millennium Awards - which are small grants allocated to individuals and/or small groups through existing grant-making bodies; and the Millennium Festival and Experience - a nation-wide celebration of the third millennium. To date, these areas have received £1.25 billion, £200 million, £100 million in funds, respectively. The Commission represents the single largest non-governmental investment ever made in aspects of social and community life throughout the U.K.

Since 1995, the Commission has allocated £810 million to 26 national or regionally significant capital projects, which cost £1,892 billion in total.

The Millennium Commission Funded Projects, U.K.

PROJECT	DESCRIPTION	TOTAL COST (£ 000,000's)	MC GRANT (£ 000,000's)
The University of the Highlands and Islands	New University serving Scotland's Highland and Island area.	86.5	33.4
Hampden Park Stadium	Refurbishment and Expansion of Scotland's National Football Stadium	46.0	23.0
Glasgow Science Centre	New National Science Centre on South Bank of Clyde River	71.5	35.0
Millennium Link, Forth & Clyde and Union Canals	Restoration of waterway between Edinburgh and Glasgow	78.4	32.2
The Dynamic Earth	Interactive Science Display	33.5	15.0
International Centre for Life	Genetic Research Facilities and High-Tech Visitor Centre located in Newcastle	54.0	27.0
The Odyssey Project	Mixed-use entertainment complex located on the east side of the Lagan River in Belfast	90.0	45.0
The National Discovery Park, Chavasse Park	Mixed use visitor attraction, Discovery Centre and Glass-encased park located in Liverpool.	91.4	27.0
Manchester Millennium Quarter	New Cultural Centre in centre of Manchester including the Urbis Centre, Locus, Exchange Square and City Park	41.4	20.0
Lowry Centre	Waterfront Entertainment Complex located in Salford	96.4	15.6
Remaking the Heart of the City	Construction of a new Public Winter Garden, Art Gallery and three public squares in Sheffield.	41.0	20.5
Magna	Reconversion of an industrial steel mill into a visitor attraction, conference and exhibition centre in Rotheram.	50.7	18.6
The Earth Centre	World centre for environmental research and sustainable technology in Doncaster.	100.0	50.0
The Deep	Aquatic-based visitor attraction at Kingston upon Hull	36.9	18.5
Millennium Point	Mixed use facility consisting of a Discovery Centre, Technology Innovation Centre, University of First Age and the Hub at Birmingham.	111.6	50.0

National Space Science Centre	Space Science education and leisure facility consisting of an Exhibition Centre, Millennium Dome, Challenger Learning Centre, and a Research Centre.	46.5	23.2
The Norfolk and Norwich Millennium Project	Civic meeting space located in central Norwich consisting of a Millennium Library, Business and Learning Centre and a Heritage Attraction.	61.0	30.0
National Botanical Garden of Wales	National Botanical Gardens in Middleton-Dyfed.	43.4	21.7
Wales Millennium Centre	Arts and Cultural Centre located in Cardiff.	27.0	29.9
The Millennium Stadium	75,000-seat enclosed stadium and Rugby Experience Museum located in Cardiff.	114.0	46.0
Explore at Bristol	Regeneration of derelict site in Bristol	82.7	41.3
The Eden Project	Large-scale greenhouse.	106.0	37.2
The Renaissance of Portsmouth Harbour	International Maritime Leisure Complex	85.8	40.0
The Kew Seed Bank	Royal Botanical Garden Conservation Centre	72.5	29.9
British Museum Great Court	Renovation and Roofing of Great Court in London.	94.1	30.0
The Tate Gallery of Modern Art	New National Art Gallery in London.	130.0	50.0
TOTAL		**1,892.3**	**810.0**

2.3. European Union Funding

In addition, communities, partnerships, agencies and organizations in the U.K. are also eligible to apply for funding from the European Union (EU) through the European Structural Funds.

European Regional Development Fund

The primary structural fund dedicated to urban regeneration in the E.U. is the European Regional Development Fund (ERDF). The ERDF assists a wide variety of projects in the least prosperous urban and rural areas of the EU. ERDF funding is often used in conjunction with SRB funding to support area regeneration initiatives. Between 1994 and 1996, ERDF allocations to the U.K. regions totalled approximately £2.3 billion.

APPENDIX D

CAPITAL INVESTMENT FORECASTING FOR THE GTA

1. URBAN STRUCTURE CONCEPTS STUDY: GROWTH SCENARIOS AND CAPITAL COSTS

The Greater Toronto Area Urban Structure Concepts Study was prepared for the Greater Toronto Coordinating Committee and the provincial Office for the Greater Toronto Area. The study, undertaken by the IBI Group, defined and examined the capital cost implications of three alternative urban development concepts for the GTA. The initial report was presented in 1991, and amended in 1996 as a part of the GTA Task Force exercise.

1.1. Spread

A status quo concept, representing a continuation of existing trends, characterized by substantial population growth in the suburban regions at low density. The total capital cost to provide infrastructure for this concept is $76.9 billion (Canadian).

1.2. Central

A concept in which substantial additional population growth/intensification occurs within the former Municipality of Metropolitan Toronto and other "mature" urbanized areas adjacent to Metro, such that the rate of urbanization occurring around Toronto would be significantly reduced. The total capital cost to provide infrastructure for this concept is $67.0 billion (Canadian).

1.3. Nodal

A an intermediate concept in which residential and employment growth occurs primarily in and around various existing communities in a compact form, resulting in reduced consumption of undeveloped land relative to the Spread Concept. The total capital cost to provide infrastructure for this concept is $69.5 billion (Canadian).

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